

### Budget Boondoggle Award: The Train to Nowhere

My colleagues and I on the House Budget Committee have unveiled the next “Budget Boondoggle Award”, and this one comes from my home state of California. With a state budget on life support, and barely surviving, and a critical debt problem threatening the state’s solvency, I could not believe that California would push ahead with plans for an ill-advised and extremely expensive high-speed rail system. Yet, that’s exactly what is happening. This project, which The Washington Post editorial board labeled the “train to nowhere,” (1) has gone above and beyond in earning the latest Boondoggle Award.

Prompted by an influx of Federal “stimulus” funds, the State of California has committed to match Washington’s cash and spend \$5.5 billion for an initial high-speed rail segment joining two towns in the sparsely populated Central Valley region – despite major uncertainties about the line’s viability and long-term funding prospects.

The line is intended to join San Francisco to Los Angeles, and later add San Diego, San Jose, Oakland, and Sacramento. But experts warn that even if the first segment is completed, it is unlikely to draw sufficient ridership to stand on its own financially; and if future subsidies fail to materialize, the line will never connect to major cities.

- The project’s first stage is supported by \$3.9 billion in Federal funding, which to date is almost 40 percent of the total Federal spending nationally for high-speed rail. Of this amount, \$2.25 billion is from stimulus funds, awarded in January 2010, with an additional \$715 million appropriated in October 2010. The most recent \$616 million and \$300 million infusions were re-allocated after the Ohio, Wisconsin, and Florida Governors rejected them upon determining high-speed rail was fiscally infeasible.(2)

- Strangely, the \$715-million grant required the project to start in the Central Valley, connecting the towns of Borden (near Fresno) and Corcoran (just north of Bakersfield), with a total population of 82,000 (0.2 percent of California’s 36 million residents). Press reports indicate the rationale was a lower risk of opposition by residents and easier environmental permitting. But California’s non-partisan Legislative Analyst’s Office [LAO] – the State’s

equivalent of the Congressional Budget Office – has determined this requirement threatens the success of the project and recommends, among other things, seeking “flexibility” from the Federal Government to build the initial segment where it “could provide more benefit to the State” if the rest of the project is not built. (3) In May, however, the Federal Department of Transportation’s Undersecretary disallowed any such latitude: the project must begin in the Central Valley, and by September 2012.

- The California High-Speed Rail Authority [CHSRA] is moving forward with its existing plan, which relies on \$17 billion to \$19 billion in Federal funds, even though Congress has already zeroed out new high-speed rail appropriations for fiscal year 2011 and appears likely to do the same in 2012.(4)

- Meanwhile, cost estimates are increasing. The original \$43-billion overall price tag is officially in doubt after the LAO determined this month that the project could top \$67 billion.(5) The LAO further warns that the CHSRA’s plan does not adequately consider debt service costs which could reach \$1 billion annually through 2030. These revelations are not surprising considering high-speed rail systems have historically cost more than expected and require on-going subsidization. There are only two high-speed rail segments in the world that break even – Paris-Lyon and Tokyo-Osaka – and both are in areas of dense populations and high gasoline prices that drive up ridership.

- The California project’s credibility has been questioned all along. In September 2008, the Reason Foundation, a non-profit think tank, issued a 196-page report warning: 1) the proposal’s final cost would swell to somewhere between \$65 billion and \$81 billion; 2) ridership projections were “absurdly high”; and 3) attaining the proposed speeds would be nearly impossible given the amount of stops the trains would have to make.(6)

- Similarly in July 2010, the University of California-Berkeley released a study claiming ridership projections for the high-speed rail system are “so unreliable, that it is impossible to predict whether the project would experience healthy profits or severe revenue shortfalls.” A Peer Review Group established to oversee the project cautioned State legislators in November 2010 and again in April 2011 that the project lacks even a basic business plan.(7)

- “A realistic concern is that the State will have to terminate the project after completing the first segment because the feds and private investors won’t pay to finish it,” says The Wall Street Journal. (8) But Transportation Weekly has another perspective: “The strategy appears to be to spend \$5.5 billion in order that people in Bakersfield can get to Fresno in 30 minutes by rail instead of 2 hours by car, at a total cost of about \$2,367 per person . . . and that once Fresno-Bakersfield is complete, Congress and California will have no choice but to pay another \$75 billion or so to complete Phase I, lest a freestanding Fresno-Bakersfield route go down in history as the palest, hungriest white elephant in the history of transportation construction projects.”(9)

- California’s train to nowhere is a monument to the failure of the \$821-billion stimulus bill. The Obama administration promised the stimulus would keep unemployment below 8 percent; but the jobless rate continues to hover around 9 percent while economic growth remains weak. Americans were told the stimulus funds would be spent quickly, on “shovel-ready” projects, to jump-start the economy; yet more than 2 years later the administration is still trying to find takers for its high-speed rail awards, and construction on the ill-fated California project will not begin until the fall of 2012 at the earliest.

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(1) California’s High-Speed train project is going off the rails,” The Washington Post, 18 May

2011: [http://www.washingtonpost.com/opinions/californias-high-speed-train-project-is-going-off-the-rails/2011/05/18/AFdaUI6G\\_story.html](http://www.washingtonpost.com/opinions/californias-high-speed-train-project-is-going-off-the-rails/2011/05/18/AFdaUI6G_story.html) . The term “train to nowhere” was initially coined last November by California’s 18th District Congressman Dennis A. Cardoza.

(2) Jeff Davis, *Transportation Weekly*, Volume 12, Issue 23, 25 May 2011.

(3) Taylor, Mac: “High-Speed Rail Is at a Critical Juncture.” California Legislative Analyst’s Office 10 May 2011.

(4) California State Auditor: High Speed Rail Authority: It Risks Delays or an Incomplete System Because of Inadequate Planning, Weak Oversight, and Lax Contract Management, April 2010 Report 2009-106: <http://www.bsa.ca.gov/pdfs/reports/2009-106.pdf> .

(5) Taylor, Mac: “High-Speed Rail Is at a Critical Juncture.” California Legislative Analyst’s Office 10 May 2011.

(6) Wendell Cox, Joseph Vranich, Adrian Moore: *The California High Speed Rail Proposal: A Due Diligence Report*, September 2008

(7) Ann Brody Guy, Institute of Transportation Studies, University of California-Berkeley press release: California high-speed rail ridership forecast not reliable, study finds, 1 July 2010: [http://www.berkeley.edu/news/media/releases/2010/07/01\\_high\\_speed\\_rail.shtml#http://www.berkeley.edu](http://www.berkeley.edu/news/media/releases/2010/07/01_high_speed_rail.shtml#http://www.berkeley.edu)

(8) “Subsidy Trains to Nowhere,” *The Wall Street Journal*, 11 December 2010.

(9) *Transportation Weekly*, op. cit.